Why Socialism is Morally Wrong: The Basis of Property Rights

19-24 minutes

This essay is Part 1 of a three-part series on socialism:



Socialism has become more popular in the US recently, at least as a term people use for their political beliefs. Bernie Sanders and many of his young followers claim to be socialists. But what is socialism, really, and is it a moral system or an immoral one? Is it practical or impractical?

In this essay, I will give the definition of socialism as dictionaries and its most committed advocates understand it. Then I will take socialism in its "purest," most "noble," most economically reasonable form—which many socialists claim has not been refuted by history—and show you why it is both immoral and impractical.

The Common Definition of Socialism

The Oxford English Dictionary defines socialism as:

A political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole.

If we are talking about full socialism, as its serious advocates mean it, the "regulated" here is redundant and should be taken to mean *complete* regulation and control, which is effectively the same as ownership. In a fully socialist society, "capitalists"—those who own "the means of production, distribution and exchange," like factories and grocery stores—are *abolished*. Everyone in the society is a "laborer" or "worker," in the broad sense of "someone who works for wages," (what I'll sometimes call a "wage-worker," as opposed to someone who earns profits from private ownership.)

The "community as a whole" exercises control through some form of governmental institution. In different socialist theories, this may take the form of anything from local direct democracies, to national or worldwide governments of central planners, allegedly representing the collective will of the "working class" (proletariat.)

(In light of this, I will say up front that Bernie Sanders is not a socialist in the full sense of the term: he doesn't advocate the outright abolition of capitalists. I will have more to say about what he actually is, in Part 3 of this series.)

Many of today's socialists consider decentralized and direct (or nearly direct) democracies to be essential to socialism as they see it. This element of the system I'll discuss is what makes it the "purest" variant. What makes it the most "economically reasonable," is that it is a variant based on the understanding that managers and researchers are important to the productivity of labor. Uncoordinated and uninformed physical labor does not produce much value, so the retaining of managers and scientists is important in this system. Individual workers work under the authority of managers in much the same way they would in a capitalist system. The only real difference from capitalism is that the government treats everyone in the city as though they were an equal shareholder of every company. The government would collect their wealth for labor-saving machinery equally, solicit their equal votes for CEOs, poll them to determine big company decisions, etc. If I can show that this variant of socialism is immoral and impractical, then all less reasonable or more corrupt forms of socialism will fall with it.

Socialists generally distinguish between what they call "personal property" and "private property." "Personal property" is the material goods that one is currently using for personal consumption, and "private property" is the material goods that one is not currently using for personal consumption, but for wealth production, rental, etc. Socialists generally claim to uphold the societal protection of "personal" property rights, while opposing the protection of "private" property rights. I will discuss both of those and we'll see if the distinction is meaningful.

But first, because this essay is about the moral status of socialism, I want to briefly discuss the moral viewpoint I'm using to make the judgment.

Morality, Wealth Production and Justice

The goal of morality, in my view, is to promote human life on Earth. Any view that says that morality should be indifferent to human life is fundamentally wrong. Since human life is fundamentally composed of individuals—individuals are the ones who have minds, who think and who act on their thoughts—morality means enabling individuals to survive and prosper. Humans are not like mindless ants or the Borg on Star Trek.

Nature does not automatically give humans what they need to survive and prosper. In order to prosper, individuals must produce wealth by thinking rationally about how to meet human needs and acting on that thought. They must exert effort and plan ahead. Individuals may act in concert with each other, in the form of business firms, but they each only contribute to production to the extent that they individually think and exert effort. Any individuals that don't think and produce on their own must

necessarily depend on those individuals who do. (Note: I argue more extensively for individualism here: What is Individualism? What is Collectivism?)

So a moral society—a society that promotes human life—is one that tends to reward productive effort. To the extent an individual produces wealth, a moral society lets him keep that wealth, or its value equivalent in voluntary trade. This is what societal **justice** is, in the realm of economics. Justice is individuals getting what they deserve, and in general, "deserving" means "producing." (1)

The Moral Importance of "Personal" Property Rights

Let's imagine that you're a male carpenter. You have a wife and two children. As a family, you build a cabin for yourselves in the small town where you work. When it's finished, some frat boys from the local college decide they like your little cabin. They break in while the whole family is away and invite their friends for a party. In a society that bans physical violence, but doesn't recognize personal property rights, there's nothing you can legally do to evict them. The best you can hope for is to share what you built with them. If there isn't enough bed space, some of your family members may have to sleep on the floor.

If, in the course of their partying, the frat boys burn the cabin down, you have no legal recourse.

This is the injustice inherent in the violation of personal property rights: those who exerted the effort to build or create the valuable thing (in this case, a cabin) have to surrender the benefits of it, to some extent, to those who did not exert that effort. To the extent this injustice persists, it damages people's motivation to exert productive effort and their ability to plan ahead, using their property. In the above example, you and your family might have designed that cabin specifically for your needs. You may have planned to live in that cabin while the children grew up and went to school in the area. You may have planned to add on a little outdoor hot-tub to sit in while watching the sunset. All those plans are ruined if someone comes in and destroys the cabin.

Individual human beings need to produce and use material wealth like cabins, tools, food and clothing in order to survive and prosper in the long term. In order to live **well**, by modern standards, they have to be able to produce and keep, not only the "necessities," but also luxuries like cars, airplanes, air conditioning, movies, television sets, and books. (In a modern society, people mostly "produce" these luxury items indirectly, by producing the value equivalent with their work in their job, then trading the monetary product for the items.)

Again, I reiterate: Human life is fundamentally individual. Individuals live or die. Individuals choose to think, or to avoid mental effort. Individuals have different goals and interests that they each choose for themselves. Some individuals strive consistently to produce wealth and support themselves, and others don't. If morality is supposed to promote human life, rather than demanding its sacrifice and destruction, then basing governmental policies on personal property rights is **moral**. Choosing to support a society that denies the personal property rights of individuals is **immoral**.

Socialism and the Moral Importance of Private Property Rights

Let's say there's a woman living in the 1890s—call her Jill—who married a man and had one child. Her husband recently died of cancer, and she was left as a single mother. She has a loom and has been

making and selling rugs when she can to help support herself and her family. Her rugs are very popular and sell for high prices because they are high quality and people like the intricate designs. After her husband died, Jill decided to invest her savings from selling rugs into an effort to increase the output of her rugs. The increased sales of rugs will help her support herself and her son when the money from her husband's work runs out.

So Jill chooses a piece of unclaimed land near her home to build a workshop. She uses the money she earned selling rugs to pay for the raw materials and the labor of 4 men to build it. So the men are agreeing to help her in exchange for a monetary wage. They are agreeing to her terms and will be satisfied with that money as their full compensation for building the workshop, while she will get to keep the workshop for her use.

The workshop has six looms, and she finds six young women who are willing to work at her workshop in exchange for a steady wage. In their productivity, they get the benefit of the looms and the workshop that Jill paid to have built, and they are trained by Jill to make high quality rugs. They don't have to worry about selling the rugs, and they haven't invested any money in the workshop, so they don't bear the risk of losing money if the business fails, (whereas Jill does.) The workers all consider the deal to be in their interests, which is why they agreed to it.

Jill doesn't work at one of the looms, because she thinks her time would be better spent designing the rugs, maintaining the workshop, training the workers, managing the cash-flow of her business, and finding new customers. So Jill spends the extra money to pay a worker to do the physical work of making rugs at the loom that she might otherwise have used personally. Jill gets no steady wage from the workshop. Her earnings vary based on her ability to get customers and run her business well. Her earnings are of the same type that they were when she sold rugs alone: they're profits. And if she doesn't run her business well, or is otherwise unable to sell rugs, she may not get sufficient earnings to cover her business expenses, and then she'll suffer losses. She prospers or suffers based on how much value she adds or subtracts from her company's output, relative to its total input, (the cost of machinery, maintenance, wages, etc.)

Jill has plans to expand the workshop within the next year, to introduce new types of woven goods, and to research new types of fibers with which to weave her products.

At this point, socialists are voted into power. They come in and tell Jill that she no longer owns the workshop; the workshop now belongs to her local community. Everyone in the town will vote on what to do with the workshop she built with her own effort and money. Jill may be kept as a manager and given a steady wage, or not, depending on the voters' wishes. By their decree, this is now a "people's workshop": Jill's wage will be set by the voters, and any profits will be distributed equally among all members of the community. The voters will determine the future direction of the workshop, and if the workshop even stays open at all.

This is a tremendous injustice. Why should other people in the community, who had nothing to do with the building or management of the workshop, get control of it and a share of the profits? Why should Jill, whose effort and skills were the driving force behind the workshop, be robbed of control and profits? It was Jill, not "the community as a whole," who built that workshop, and those who helped

her were paid by her for their help. Why should Jill's plans for her workshop be left at the mercy of voters? They didn't build it, and they don't have a right to it.

This goes for the workers in Jill's workshop just as much as for everyone else: They agreed to work in a workshop they did not build in exchange for steady wages, **not** ownership of the workshop. It was Jill who did the work of creating the workshop, not them. So there is no reason at all why they should gain ownership of the workshop without Jill's consent.

But that is precisely what the socialists want to enforce: They want to give the returns on Jill's effort to others who did not exert that effort, and to give control of what Jill created to others who did not create it. By any reasonable standard of morality that promotes human life, rather than human destruction—that holds working and earning things as good—that holds **justice** as good, this is a **moral crime**.

And after this initial moral crime of the socialization of people's private businesses, what will result: a glorious utopia of justice and endless prosperity? Actually, the diametric opposite. What mere manager of a "people's workshop" is going to make a heroic effort and stick her neck out to introduce dramatic innovations, when the best she can hope for in success is maybe a couple percent raise in her salary (if the voters deign to give it to her) and the probable penalty for failure is the loss of her job? And this assumes that such a manager even has the leeway to make major innovations at all, without the approval of voters. But in fact, managers would almost certainly need voter approval for major decisions.

So anyone wanting to implement radically new ideas or processes would be bound to seek voter approval before starting to research and develop them. Geniuses, visionaries and experts in any given field would be weighed down by the voting decisions of people who are not as brilliant, who do not share their vision, and who don't know anything about the field. In other words, countless innovations would be stifled before they could be developed and proven.

A young Steve Wozniak and Steve Jobs would have to gain the ear of the local government council and convince them to put their idea for a personal computer before the general population for a vote, **before** they could set up even a small facility to produce them. If the voters—most of whom know virtually nothing about computers—reject his idea, then Wozniak and Jobs's dream of developing a mass-produced personal computer dies there. You never see the Apple II, or the Macintosh, or the iPhone.

Even in the purest realistic theory, the result of socialism is poverty and stagnation, not prosperity and progress. The main engine for the creation of productive, steady-wage jobs, where there were none before, is the self-interested pursuit of profit by entrepreneurs. A mostly disinterested and uninformed collection of voters are going to be much less effective at creating productive jobs. *Socialism is a recipe for poverty*.

Dramatic innovations that push technology forward almost always come from individuals—or small collections of individuals—who disagree strongly with the way things are currently done in their field. Under socialism, the majority view always wins by design: The majority decision has the force of law to prevent the minority from taking action, wherever that action would involve producing anything with wage workers. *Socialism is a recipe for stagnation*.

The role of "private" property rights in human life is the same as that of "personal" property rights: to enable individuals to improve their own lives through production, free from physical attack or interference by other people. All proper property rights protect individuals' ability to earn wealth through their own productive effort. This includes Jill, just as much as it includes the weavers at her workshop. People do not lose the right to what they have created, just because they use it for productive purposes or hire workers to use it. So the distinction between "personal" and "private" property is entirely senseless.

Nor does the moral situation change when you have a corporation with shareholders and a CEO paid a salary. The shareholders are still ultimately responsible for the business through their corporate votes, and **they** have spent **their** money to acquire the stock they have. That is, they have provided overall direction for the company and used *their own money* to finance the purchase of goods and the creation of wage-jobs in the company. The corporation is paid for by a definite collection of individuals, not "the community as a whole." The investors alone earn any profits and bear any losses after bills and wages are paid—and this is how it should be. For socialists to deprive them of their stock would be unjust robbery, just as in the case of Jill.

Conclusion

The rational basis of property rights is the recognition that individuals need to be able use, consume and control physical goods, land, and the products of their effort, in order to survive and prosper in the long term. Without the forceful protection of property rights, other people can deprive an individual of what he has earned with impunity. Socialism rejects and violates property rights for those who use their property to produce further wealth, at least when they hire wage-workers in the process. Thus, by its essential nature, socialism perpetrates injustices against those owners. It is a profoundly immoral system that strives to give wage-workers what they *did not* earn: the wealth produced by entrepreneurs and investors. Socialism destroys the incentive and the ability of entrepreneurs to create productive wage-jobs, to advance technology and apply innovations to solve current problems. So to the extent socialism is enacted, it is guaranteed to produce widespread poverty and technological stagnation.

Socialism shackles individuals who would strive to greatly improve both their own lives and those of others, by implementing new ideas and business models. Socialism enslaves the greatest producers to the majority of random strangers around them.

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I recommend these books, related to my points in this essay:

Equal is Unfair: America's Misguided Fight Against Income Inequality

and

Lovina Life: The Morality of Self-Interest and the Facts that Support It

In the <u>next part of this series</u>, I'll examine socialism in real life. I'll explain why all fully socialist countries (with "public ownership of the means of production") are despotic, oppressive and corrupt, rather than "free and democratic." Click here for **Part 2:** Why Socialism is Always Oppressive, Dictatorial and Corrupt

In the <u>last part</u> of the series, I discuss Bernie Sanders and the partially socialist regulatory/welfare state, and why they are unjust, destructive, and slowly eating away at prosperity in the US.

(1) Note that in relatively rare circumstances, people can be said to deserve economic value without having produced it. If they exerted effort and acted rationally to produce, but were stopped by an unforeseeable, freak accident of circumstances, then they could be said to deserve what they did not produce. This forms a moral basis for a decision by others who have sufficient wealth, to give the unfortunate person some of it. But in no case can this deserving be morally enforced by government, since those who actually produced the wealth also deserve control of what they have produced. They have the moral-political right to decide what to do with their wealth.

Why Socialism is Always Oppressive, Dictatorial and Corrupt

Posted on May 22, 2016

This essay is Part 2 of a three-part series on socialism:



Theorists and socialist leaders in the Communist ideological tradition.

In the <u>first essay in this series</u>, I gave the definition of socialism offered in the Oxford English Dictionary and explained why the essential idea of socialism is immoral. Even in it's "purest" and most democratic form, socialism is inherently unjust and will lead to mass poverty.

In this essay, I will explain why many historical examples of countries that called themselves "socialist," such as the Soviet Union and China, were in fact socialist, (contrary to the protestations of many of today's socialists) and explore why the more consistent implementations of socialism have always resulted in dictatorship, oppression and corruption.

Again from the Oxford English Dictionary, **socialism** is defined as:

A political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole.

First, let's look at what this definition does **not** say: It does *not* say that everyone must have equal wealth or income. It does *not* say that money must be abolished. It does *not* say that the state or political leadership must be abolished. (The abolition of the state and political leadership were supposed to be features of Marx's communist utopia that would arise out of socialism.)

A key part of what the definition *does* say, that gives us a clue to the basic idea underlying socialism, is the last part: "owned or regulated by the *community as a whole*." Socialism is based on the idea that the community as a whole has interests apart from individual interests, and at least in some cases, community interests override individual interests. A community as a whole can allegedly make decisions that protect or further those interests. This forms the basis for why socialist ideologies believe that the community as a whole has the right to own and regulate property.

The idea that the community as a whole (or any other group) has interests, rights, and the ability to make decisions apart from individuals, is called collectivism. Collectivism treats the group—in this case, the community—as though it were a single living organism, with individuals as parts or cells of its body. Under this view, the individuals are inherently dependent on the whole for everything in their life. Individuals' choices are entirely determined by their circumstances and place in the community, and separation from the community means a loss of personal purpose and rapid death for an individual. Thus, the community, as the agent responsible for everything an individual is, has the right to determine how goods and services will be produced and distributed.

This collectivism is the underlying justification for socialism: The community—whether or not it consists exclusively of "the proletariat class" (wage-workers)—has the ability and the right to distribute "its" property to suit its own best interests. (Individualism would say that, since individuals think for themselves, start businesses and are the fundamental agents of wealth creation, they should each be able to keep what they individually create or trade for. The "community as a whole" has no rights over individuals' creations.)

Collectivism is deeply, fundamentally wrong. Individuals are the units of humanity that live or die, think, and make choices. Each individual has a mind and must think for himself, if he is to understand. Individuals are not telepathically joined into a "collective consciousness," and must each think in the privacy of their own minds in order to learn from others; (to learn, as opposed to parroting word sounds.) (For more on the issue of individualism versus collectivism, see: What is Individualism? What is Collectivism?)

A Redefinition of "Socialism" in Accordance With Reality

Since the "community as a whole" is simply a poorly defined and potentially unlimited collection of individuals, there actually is no such thing as "ownership or regulation by the community as a whole." (Nor is there ownership/regulation by "the worker class as a whole.") What there is, is government: an institution that consists of a definite collection of select individuals legally empowered, and working together, to enact and enforce laws. It is this institution that has always carried out (legally enacted)

what collectivists think should be done by "the community as a whole." So the definition of "socialism" should actually be:

A political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by government.

Full socialism means that the government claims ownership of "the means of production, distribution, and exchange." So nations like the Soviet Union, Mao's China, and Fidel Castro's Cuba definitely *were* socialist, to a very large extent.

It is the laws of government that define whether and how property rights are to be protected. Thus it is government that sets the fundamental terms of economic relationships between individuals. So socialists have generally seen their favored form of government as the embodiment or primary instrument of "the community as a whole." (1)

It is the conflict between reality and the collectivism underlying socialism that is the reason socialism is always oppressive to some degree, and why it generally manifests as a corrupt dictatorship in its fuller forms.

Dictatorships and Single-Party Legislatures

The fact that people are individuals, with their own thoughts, their own interests, and their own lives to lead, means that pure, direct democracy is not a practical system for the running of all the business in a community. If individuals had to vote in meetings on every major decision of every company in their city, along with all governmental decisions, they would have to spend most of their time going to such meetings, and could get very little done in their actual jobs. So, in any attempt to implement socialism in any modern setting, people will have to use some sort of system of representatives.

This point alone seems innocuous enough: It would just mean that socialism has to exist in the form of representative democracies. These democracies could have free and fair elections, and thus be like modern mixed economies in their governments, right?

Well here's where the collectivist nature of socialism comes in. As a collectivist doctrine, socialism views the community as a sort of organism in itself, not as a collection of individuals. Individuals are just little pieces of the entity of importance, which is the community of workers. Socialists observe that individuals, left free, are frequently "selfish" and "blinded by their private interests," and so don't reflect "the interests of the greater community" in their thinking. They disagree with each other all the time on so many things. So why would socialists think that a free and fair election would produce an accurate reflection of the "interests of the community as a whole"? It's just a poll of a bunch of individuals, each expressing their own private views and interests. If we go by the majority, then we are ignoring the minority. So we aren't seeing the "interests of the whole" expressed.

In order to see the interests of the whole community, socialist leaders reason, what we need is **unity**. Unity of purpose, unity of thought, unity of interests, (often referred to as "solidarity")—these are the keys to maintaining and improving the life of the community. The community needs to *speak with one voice*, and act as one great body. This will eliminate unproductive private squabbling. (To the

collectivist, private squabbling/disagreement is the societal equivalent of a man's kidneys not working in harmony with his liver: very bad for the survival of the whole man.)

The natural choice for the community's *one great voice* is the leader of the representatives chosen by the community: the head of state. He becomes the "brain" of the "societal organism," and his voice speaks for the unified interests of the community.

Given this view of the community as being like a single organism, there is no reason to have more than one political party. The leading party is like the central nervous system that carries the will of the community's "brain" down to all of the parts, making them all work in harmony. Having parties other than the leader's would be like having a nervous system that sends conflicting signals from sources other than the brain. Again, this would be disruptive and destructive to the organism. Unity requires a single party in the legislature.

Under the influence of this collectivist viewpoint, individuals stop trusting themselves to make their own decisions, especially when it comes to politics. Even if they don't literally think of themselves as being like cells of one great body, the cultural influence of collectivism gives each of them the feeling that their relationship with their leader is like that of a small child to her father. Individuals can't be trusted to judge for themselves, so their leader is seen as a father-figure and a hero that they are very much dependent upon and subservient to.

If such "little children" are presented with a choice between their "father" and some strange man who wants to adopt them, whom do you think they will choose? Unless their "father" is SO blatantly and constantly abusive, that whatever tiny remnant of individual judgment they have screams at them to get away, they will choose their "father" every time.

This is the logic underlying the single-party personality cults that have pervaded many heavily collectivist countries, not only Marxist and socialist, but fascist as well: the Soviet Union, North Korea, Mao's China, Fidel Castro's Cuba, Nazi Germany, Mussolini's Italy, Ceauşescu's Romania, and Chavez's Venezuela.

Higher degrees of socialism are based on higher degrees of collectivism. Yet a certain degree of individualism is required to sustain free and democratic elections. Individuals have to have enough confidence in their own individual minds to demand the right to an uncoerced, fair vote for their political leaders. Socialism, as a form of collectivism, destroys that confidence, and thus leads people not to consider free and fair elections important. As socialism grows in the culture, solidarity and obedience become more "important" than individual freedom of thought, freedom of speech, and fair elections.

Coercive Central Planning

The above discussion should indicate the basic reason why central planning is natural to socialism: The attempt to put a collectivist system into practice requires someone to "speak for the community as a whole" and act as the brain of the community. In order to act as the brain of the community, he must have central control of as many aspects of the community as possible, including where people work, what they produce, and how much they produce.

This central planning involves a great deal of dictatorial coercion. Individuals may not wish to work where the leader wants, or in the way the leader wants. And they won't have the incentive of personal profits or realizing personal goals to lead them to start businesses: Everyone who didn't start a business will profit just as much as they do, without having exerted the effort, and control will be taken from them as soon as they hire workers. So the creation of business will have to be done by the coercive central planning of the government, along with overall management of businesses.

Corruption

Human beings are not mindless cells of one great body, nor robotic worker bees that can toil endlessly for the good of the hive. To keep going, people need pleasures. They need rewards beyond a pat on the head from the "Dear Leader." (If you doubt this, try to imagine living without movies, novels, video games, sweet foods, or sexual activity of any kind for the rest of your life.)

Yet endless toil and sacrifice for the good of the community is what collectivism demands of an individual, if he is to act from completely "pure" motives. Any desires or personal interests of his, beyond bare physical sustenance, are "corrupt." This is because any personal desires or goals would need to be pursued at the expense of the individual's devotion to the collective: In those instances, he is not acting as a selfless worker bee, toiling away for the hive.

So this is the collectivist version of Original Sin: Every individual has personal desires, and will break down if he doesn't at least pursue some of them, some of the time. All are stained from birth with personal desire, and deep down, all are unworthy of unqualified praise, (except perhaps the leader, who speaks and acts for the community as a whole.)

So if everyone is corrupt to some extent, and the attempt to be pure brings only pain and suffering, while corruption brings pleasure and relief, what's a little more corruption? Individuals are what their upbringing, genetics and environment make of them, goes the collectivist-determinist line. So if an individual becomes more corrupt, that's not his fault, it's just that society hasn't evolved to the point where individuals can be pure. (Marx's term for this type of "pure" individual is the "New Man." The New Man will be brought about by the economic conditions of pure communism. In the Soviet Union, this idea became the "New Soviet Man.")

So individuals in a heavily socialist-collectivist society have no real motivation to resist or combat corruption. Corruption is just human nature to them, until the evolution of the community changes human nature and guarantees people will be "pure."

Thus, in all heavily socialist countries, we see rampant kickbacks, favoritism, nepotism, and the appropriation of public funds for personal luxuries. In places like the USSR, China, and North Korea, we see the spectacle of fat-cat leaders who drink champagne at public expense while many of their "comrades" go hungry. (Of course, if anything in a collectivist society **is** worthy of individual reward, it is devotion to the community as a whole. Under socialism, who exemplifies this better than the leadership of the workers' party? So this is further reason for open displays of luxury by the leadership to be accepted as normal.)

Mass Imprisonment and Mass Murder

Under collectivism, it is the community as a whole that matters, not individuals. So, to the extent collectivism is embraced, this means that the representatives of the community as a whole may do anything to individuals they deem necessary for the good of the community. This includes mass imprisonment, exile, and execution. To a stalwart collectivist, a mass execution for the sake of the community is no more heinous than a doctor cutting off a man's gangrenous foot to save his life.

Thus we see the imprisonment of political dissidents all across the socialist (and fascist) world. We see political prisoners in the gulags of the Soviet Union, the forced labor camps in China under Mao (laogai), and the horrific labor/death camps of North Korea.

We also see mass murder perpetrated by these socialist regimes. For just a few examples among many, we can recall the mass purges (executions) by Stalin, the engineered famine in Soviet Ukraine in 1932-33 (Holodomor), the Tiananmen Square Massacre in China, and the ongoing starvation and executions in North Korea's labor/death camps.

Conclusion

As we have seen, socialism is based on collectivism, (as is fascism.) The people of a society, to the extent they embrace collectivism, will consider the rights and interests of individuals unimportant, relative to the "rights and interests of the community." This naturally leads to totalitarianism, central planning, stagnation, corruption, and the inhumane treatment of individuals, including the starvation of political prisoners in forced labor camps. Whenever and wherever a high degree of socialism is tried, it leads to disaster. (At the time I write this, Venezuela is experiencing an almost complete breakdown, due to its experimentation with socialism.)

Of course, many people who call themselves "socialists" today will claim they don't support "extreme" collectivism, or the complete abolition of private property in the means of production. They want a "balance" between individualism and collectivism, like in Scandinavian countries.

But, as I argued in <u>What is Individualism? What is Collectivism?</u>, the truth does not reside between "extreme" individualism and "extreme" collectivism. The truth is pure individualism. So those who act to achieve a "balance" between the two are acting on false ideas, and will necessarily do damage by attempting to enact their "balanced socialism."

In the <u>last part</u> of this series of essays, I discuss Bernie Sanders and partially socialist regulatory/welfare states, and why they are unjust and destructive of prosperity in the world. Click here for **Part 3: Bernie Sanders and the Injustice of "Democratic Socialism".**

(1) Some who call themselves socialists may object at this point that their socialism is not based in government. They define socialism as "worker control of the means of production," and they favor cooperative enterprises, where the workers directly control their own companies. Each coop is owned by its own workers, not the government. There are two alternatives for someone who advocates for coops. The first is that the person thinks that individuals who build businesses can retain property rights in what they have built, while hiring workers who choose wage-labor as their sole responsibility and a wage as their sole compensation. But the person just advocates that groups of workers should choose to

build businesses themselves and own/manage their own workplace. This sort of person is advocating a capitalist governmental system. Voluntary coops can and do exist under capitalism, and such a person is merely advocating that more people should choose this sort of organization. (Note that the difference between capitalism and socialism **is** a difference in governmental systems, not merely economic "modes of production." The difference between the two lies in what the government recognizes as rights, especially, whether or not it recognizes individual rights to property used as means of production.)

The second alternative is that the person thinks that anyone who builds a business and hires wageworkers, should lose her personal property right to what she built. (As with Jill in the <u>previous essay in this series</u>.) As soon as wage-workers are hired, the government transfers the title of the business to the workers, dividing ownership evenly between them. The person who built the business can then be hired or fired by the decision of the rest of the workers. All workers, so long as they work for any company, are forced to bear the responsibility of managing the business. This system is not capitalism, but I wouldn't really call it socialism, either. It's rather like what is typically called "syndicalism."

In theory, these companies are going to be competing with each other for product sales and competing for workers. Workers will lose their jobs, and many companies will go out of business. As collectivists see it, there will be a lot of "cutthroat competition," "disharmony," and "bitterness" in the community. The "positive" impulse behind collectivist social movements is to bring unity, peace and harmony to human life. And part of the collectivists' justification for collectivism is that individuals aren't "self-sufficient," (i.e. don't operate in a vacuum.) This same observation applies to businesses. So there is always a push toward larger groups as the goal of human action and the unit of organization. The most naturally stable and common unit for social collectivists is the nation. Thus, I would say this system is ideologically inconsistent with its alleged justification, and it would be very unstable in practice, (not to mention rather stagnant and unproductive, like genuine socialism.)

Bernie Sanders and the Injustice of "Democratic Socialism"

26-33 minutes

This essay is Part 3 of a three-part series on socialism:



Bernie Sanders

In the <u>first essay of this series</u>, I took socialism, as defined by the Oxford English Dictionary, and showed why it is immoral (unjust) in theory and in its "purest" practice. Then, in the <u>second essay</u>, I explained why, in the real world, attempts to approach pure socialism have always resulted in oppressive, dictatorial governments with high degrees of corruption. (Again, as explained in the second essay, worker-owned cooperatives cannot generally be called "socialism.")

In this essay, I'll discuss partial socialism, as it presents itself in the Scandinavian countries of Europe, (like Sweden,) in the US, and in the 2016 presidential campaign of Bernie Sanders. Some people will say that pure socialism is impractical and/or inconsistent with human nature, but still think that there should be a "balanced" mixture of socialism and capitalism. Capitalism, they think, mustn't be "unfettered," but rather must be reined in by government regulation and welfare programs. This they will often call "democratic socialism" or "social democracy."

I'll explain why partial socialism and welfare programs are unjust and destructive of people's well-being.

Socialism Lite

Once again, from the Oxford English Dictionary, socialism is defined as:

A political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by the community as a whole.

But "the community as a whole" is not a single entity, and does not think with a single mind. There is not even a single, definite organization encompassing "the community as a whole." So it can't really do anything or own anything. In socialist practice, "the community as a whole" is taken to be represented by government. (And as I explained in <u>Part 2</u>, the logic of socialism means that this government doesn't even have to be "democratic," in the way that term is often understood. At least in the Marxist version, it can also be represented by an informal government, consisting of organized gangs of proletarian thugs with guns—this is Marx's "<u>revolutionary terror</u>.")

So socialism should really be defined as:

A political and economic theory of social organization that advocates that the means of production, distribution, and exchange should be owned or regulated by the government.

Full socialism is where the means of production, distribution and exchange are "public," or owned by the government. Economic capitalists—individuals who own and profit from any means of production or exchange—are completely abolished, and their productive property is expropriated by the government. Everyone becomes a wage worker of some sort under the government, and no one earns personal profits from private property (capital.)

In partial socialism, capital is not owned outright by the government. Economic capitalists still exist, but they are regulated in their use of their productive property for the alleged benefit of "society as a whole."

The ownership of some piece of property means the right to use and dispose of it as one sees fit. When the government regulates an individual's use of his property, (beyond preventing him from using it to physically attack or defraud others) the government is taking some level of *de facto* ownership of the property for itself. This is why regulation can be considered socialism, to a less-than-full degree.

Social Programs (a.k.a. The Welfare State)

Until now, I have discussed socialism in terms of the government's treatment of property rights in the means of production. This is the most essential idea behind socialism. But in every real-world expression of socialism of any degree, it goes hand-in-hand with governmentally sanctioned social programs. The government not only regulates productive ("private") property, but also forcibly takes individuals' "personal property" for redistribution, (usually in the form of tax money.)

Despite socialists' division of property into "private property" and "personal property," and their claim to deny the former while respecting the latter, the fact remains that the justification for both types of property is the same, and their distinction is baseless. As I argued in Part 1, both kinds of property are required to enable individuals to pursue their own happiness in the long term: to earn just rewards from their own productive effort, and to use their own judgment to innovate, create wealth, and plan for their own future. Under capitalism, both kinds of property are initially earned the same way: by one or more individuals exerting the effort to transform existing material and land into valuable objects and developed land. (In cases of both objects and land, value is created by individual effort.)

So when socialists deny the right of people to their private, productive property, they obliterate any rational case for rights of "personal property" in their own minds. This leads them to see personal property as something that can be forcibly taken whenever "society" (government) deems appropriate. This forms the basis of coercive wealth redistribution, in the form of various welfare programs.

Welfare is more prominent in the goals of social democracy than of Marxist-Communist socialism. Marx himself was against welfare, because he thought it would blunt the "economic forces" of revolution: The workers would tend to be mollified, and their hunger to take down the capitalists would be lessened. Instead of welfare programs, Marx counted on a state of "superabundance" in late-stage socialism to usher in communism and a utopian well-being for people. (This "superabundance" is where the production of all of life's necessities requires no labor, so that people can just take these necessities freely from a common pool.)

Since most of today's socialists and social democrats don't believe in the orthodox interpretation of Marx's theory of historical development, they aren't counting on "superabundance" to arise. They want to enact Marx's maxim for communism, "from each according to his ability, to each according to his needs," as much as they think feasible, as soon as possible. So they see welfare programs (forced wealth redistribution) as the means to human well-being and "social justice," in the here and now.

Thus we get the two pillars of social democracy: Business regulation by government, and welfare redistribution by government.

Bernie Sanders: Egalitarian Social Democrat

Bernie Sanders calls himself a "democratic socialist," but that term tends to imply that he's a full socialist of a "democratic" sort. This is clearly not the case for his stated policies. Sanders does not advocate for the abolition of capitalists and for the public ownership of the means of production.

But he does advocate for a high degree of regulation of business and a high degree of welfare redistribution. This makes him a partial socialist, or a "social democrat."

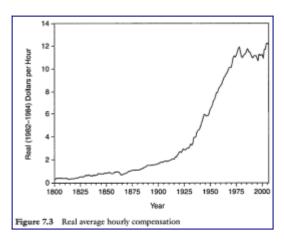
Note that Bernie Sanders is constantly railing against the "millionaires and billionaires," and "the top one tenth of one percent." He demonizes the wealthy for being wealthy, and equates any high inequality of wealth with violations of "social justice" or "economic justice."

This idea, that (high) inequality of wealth is inherently wrong, is called "egalitarianism." Egalitarianism takes equality of wealth as an ideal, regardless of differences in people's efforts, abilities, or levels of responsibility. When asked specifically about what economic policies they're for, most egalitarians will say that of course they're not for a *complete* leveling of wealth or incomes. That would be absurd, they admit. But when wealth inequality is "too high" in their opinion, they take that as *ipso facto* proof of wrongdoing on the part of the rich. The facts of how the wealth was obtained don't matter to them; the extremely rich are all to be treated like criminals who "rig the system for their own benefit." Whether their wealth was actually obtained through fraudulent dealings and special government favors, or whether it was earned through voluntary transactions without special favors, the "millionaires" are all supposedly to blame for economic problems and injustice.

In the case of the egalitarian Bernie Sanders, the proposed solution to the problem of "millionaires and billionaires" is a greater degree of partial socialism. Rather than proposing measures that would actually reduce cronyism, (1) Sanders proposes business-hindering regulations and large tax increases that wouldn't discriminate between wealth earned by voluntary transactions, and wealth taken through fraud and cronyism. All millionaires and billionaires deserve financial punishment, in his opinion, for the sake of reducing wealth inequality.

Now Sanders often says that his promotion of greater socialism is for the benefit of "poor and working Americans." So if asked, he would deny that his message is about punishing all rich people. He would say he just wants to lift up lower-income people who have been oppressed and impoverished by a corrupt system. Yet relatively free markets have been tremendously effective at raising the real incomes of the poorest people in every society, to the extent they have been implemented. (Free markets arise to the extent a society has a rule of law that is effective at protecting individual rights to life, liberty and property, without other governmental restrictions on action, subsidies, or forced redistribution of wealth.)

When the US most closely approached free markets in the 19th and early 20th Centuries, the result was a quadrupling of the real wages of factory workers during the 1800s, and an exponential rise during the early part of the 1900s:



Source: *Two Centuries of Compensation for U.S. Production Workers in Manufacturing*, by Lawrence H. Officer

In 36 years, from 1970 to 2006, subsistence-level poverty in the world <u>dropped by **80%**</u>. It dropped largely due to freer markets around the world, especially in places like China and India. This is an amazing achievement of partial capitalism, and of the entrepreneurs, scientists, artisans and skilled workers who use their minds to innovate within that system.

When we compare these achievements to the stagnation, oppression, and mass killing of socialist countries like the Soviet Union, Mao's China, Cuba, East Germany, Pol Pot's Cambodia, and North Korea, the contrast is striking. The latest example we have of socialism in action is Venezuela, which, as of this writing, has massive shortages of almost everything, including food. The country is breaking down and people are having trouble getting enough to eat.

But of course, Bernie Sanders doesn't want to lead the US to *that* sort of socialism, he'll protest; he wants to lead the US to be more like "socialist" Sweden. This is an example of successful socialism, he claims—it's "socialism done right."

What About Sweden? Are Scandinavian Societies Socialist Success Stories?

The first thing to notice is that there are no Scandinavian countries, including Sweden, that are anywhere close to fully socialist. They all allow lots of private ownership of business, and have fairly high levels of protection for private property rights, relative to much of the world. They have welfare systems that are proportionally larger than those in the US, but they also have lower corporate tax rates than the US. In many ways, they place less burdensome regulations on businesses than the US does, and so are closer to being free markets in that respect.

Scandinavian countries are mixed economies: mixtures of socialist elements with capitalist elements. And a look at the history of Sweden shows that it is the capitalist elements that are responsible for what prosperity it has enjoyed. In the book, *Equal is Unfair: America's Misguided Fight Against Income Inequality*, Don Watkins and Yaron Brook discuss the history of Sweden:

What is clear is that if we look at the history of Scandinavian countries, we find that they have prospered during periods in which they had more economic freedom (and higher inequality), and they have faltered in periods in which they had less freedom (and lower inequality). Take the case of Sweden, for example.

In the beginning of the 1800s, Sweden was among the poorest countries of Western Europe. By the mid-1900s, Sweden was one of the richest countries in the world. What made this possible? Freedom. Over the course of the first half of the nineteenth century, all major government restrictions, regulations, and controls were removed and the basic institutions of capitalism were established: private ownership of the means of production, freedom of competition, and free trade. The government was small (spending around 10 percent of GDP), and taxes were low.

The 1870s would mark the beginning of what is known in Sweden as "The 100 Golden Years." Between 1870 and 1970. Sweden enjoyed some of the highest economic growth, productivity growth, and wage growth in the world. By 1970, it was the third-richest country in the world, in terms of GDP per capita. At the end of the twentieth century, however, Sweden was fighting to remain within the top 20. Why? Because it abandoned its commitment to liberty.

Between 1960 and 1980, the burden of government spending doubled, rising from 30 percent of GDP to 60 percent of GDP. To fund its growing welfare state, taxes skyrocketed: the top marginal tax rate, for example, hovered around 90 percent throughout the 1970s and 1980s. As a result, the rate of economic progress also slowed. In the 1950s and 1960s, the average growth rate was 3.5 to 4.5 percent per year. Between 1971 and 2001 the average in Sweden was just over 2 percent per year. [Below the OECD average for the same period.]

In 2006, Sweden started once again to move in a freer direction. As the late Johnny Munkhammar, a member of the Swedish parliament, wrote, Swedes "have seen their borders opened for more labor migration, they have seen still more state-owned companies sold, and have seen their public authorities shrink in number. Stockholm has also cut property taxes and abolished the wealth tax, and instituted a new system of income-tax credits that lets working people with average incomes keep what amounts to an an extra month of wages, after taxes, per year. Today, the state's total tax take comes to 45% of GDP, from 56% ten years ago." As a result, Sweden has no budget deficit and has reemerged as one of Europe's fastest-growing economies. (Inequality in Sweden, meanwhile, has risen.) Far from a counter-example, Sweden's history demonstrates precisely what we've argued: that liberty and prosperity are inextricably linked, and that economic inequality simply doesn't matter.

—Equal is Unfair

I also recommend an audio course on Swedish politico-economic history called, <u>"What About Sweden?"</u> by Carl Svanberg.

Partial socialism has not only been economically destructive in many countries like Sweden and the US, it is inherently unjust wherever it is practiced.

The Injustice of Partial Socialism and Welfare Programs

Justice means people getting what they individually earn. To earn something is to exert one's own rational effort to produce it, or trading one's products for it, without being parasitical on the production of others. (By "being parasitical," I mean an adult taking someone else's product, without offering

something in return that they consider worthy compensation for what they give.) Earning wealth and other values is the means by which human beings support their lives; if no one earned food and shelter, no one would survive; if no one earned greater levels of wealth ("luxuries"), no one would live above extreme poverty. So justice, as a societal condition, means that most individuals typically act—and institutions are set up—so as to reward the sort of actions that promote human life and well-being (rationality, earning), and punish the sort of actions that destroy human life (irrationality, parasitism). When the government acts in such a way as to punish individuals for rationality and creation of wealth, and reward individuals for irrationality, irresponsibility, laziness, etc, the government is perpetrating injustice.

Justice is **not** about having one's needs met by others. If someone sits around unemployed on his parents' couch his whole adult life, watching TV, demanding that his mother spoon feed him, he is not earning that food and his mother is not promoting justice by feeding him. (Now if he's generally strives to be productive, but is temporarily injured so he can't work, his mother may choose to help him and it would be just. His well-being as a productive man is a value to his mother, in that it increases her own psychological well-being. For more on this, see: Other People as Egoistic Values Versus Other People as Objects of Self-Sacrifice in Ayn Rand's Philosophy.) So the demand that people's "needs"—for food, healthcare, housing, or a "living wage"—be treated as "rights," to be filled by the expropriation of others, is **not** a call for justice. It is, in fact, a call for massive *injustice*, as I will explain after discussing regulation.

The first pillar of social democracy is governmental business regulation. Recall that it is this pillar that is most properly called "partial socialism." Governmental business regulation is unjust in principle. To see why, let's take an example.

Let's say Jim owns a small store. He currently takes comes in an hour early every Monday, Wednesday and Friday to clean the store and stock shelves. He would like to have someone else come in and clean the store, freeing him up to spend those hours building the store's website, and seeking investment and a larger space to expand the store. Jim is trying to save money that he knows he'll probably need for initial costs of expansion. He's willing to spend \$30 a week to have someone clean the store, otherwise, he'll take extra time during lunch and after closing time to work on the website and expansion.

Danny is a college student who is looking for part-time jobs. He doesn't have many skills, and doesn't have a lot of time to work along with his busy class/study schedule. He lives right near Jim's store and asks about the "help wanted" sign. Jim is willing to pay Danny \$10 per hour to come in Mondays, Wednesdays and Fridays to clean the store and stock shelves. Danny is willing to accept \$10 per hour for doing the job, since he thinks the job is a good deal for him in his circumstances. But the state has just enacted a minimum wage law that makes paying anyone less than \$15 per hour illegal. Jim can't offer Danny the job. He decides, instead, to put in the extra hours himself.

This is an injustice perpetrated by the government: If Jim made a voluntary deal with Danny that both of them judge will benefit them, (work at \$10/hr) Jim would be punished by the government. He would be punished without having done anything wrong. Danny is also being punished in a certain respect: The government has forcibly robbed him of an opportunity to earn money. It's like a little tinge of imprisonment. When the government imprisons someone, it is using force to stop him from pursuing

career opportunities, love interests, friends and other things that support and enrich his life. What the government has done to Danny and Jim is like that, but to a much smaller degree: It has forcibly thwarted their attempts to improve their lives in this case.

The same sort of injustice applies to all the other cases where the government regulates business (beyond protecting people's bodies and property from force and fraud by others.) When the government demands FDA approval before a dying cancer patient can try an experimental therapy, the government is threatening to punish a healthcare provider just for honestly trying to save a patient's life. When the government legally requires a business to pay extra taxes for unemployment insurance, it is threatening to punish the business owners for making a voluntary agreement with employees that doesn't include unemployment insurance. The business has violated no one's rights by making such an agreement, but will still be punished for doing so. When the US government forcibly confiscates people's gold, (as the US government did in 1933) then forces people to accept Federal Reserve notes from debtors, regardless of any agreement the parties might have made, the government is visiting an undeserved punishment on people.

A slightly different kind of injustice applies to welfare programs. Welfare forcibly takes money from people who earned it, and gives it to those who did not. This is a punishment for a great many who were thoughtful, responsible, self-disciplined, and thus successful, for the sake of rewarding people who may very well have been thoughtless, irresponsible, and undisciplined, and thus unsuccessful. Social Security and Medicare take money from people while they work, then gives them less money back than they could have received by saving or investing what they paid in. This forcibly penalizes people who would have been responsible in saving for retirement, in order to reward those who were irresponsible in saving. (If people see someone who was responsible but just very unfortunate, they can voluntarily donate to the person. This would not be injustice, in general.)

Whenever the government initiates force against people to regulate business, or transfer money as handouts, it is acting to punish the rational and responsible. In many cases, this is done for the sake of "protecting" the irrational and irresponsible from the bad consequences of their own bad choices.

Why Partial Socialism and Welfare Programs are Destructive

It should come as no surprise that a government policy of economic injustice—of punishing the earning of wealth and rewarding the failure to earn wealth—is destructive to human life and well-being. After all, what is economic activity but the striving of people to survive and make their own lives better? To punish personal success in the economic realm is to discourage future success, to some degree, and to forcibly transfer resources from economically productive hands to unproductive ones. As seen in the case of Sweden, this harms economic growth. And it is economic growth that makes it easier for the poor to earn wealth, to receive charity and to live at a higher standard of living. (Recall the 80% reduction in extreme world poverty mentioned earlier, and note that a "poor" person in the US is much better off than a poor person in Haiti and most of Africa. Many poor in America have a problem with eating *too much* and getting fat, instead of a problem with *starvation*.)

Regulation cuts off many methods of running a business that people may find more productive. Subsidies and forced professional licensing requirements tend to favor current majority practices at the expense of innovators. Labor regulations make hiring workers very expensive and time-consuming. All this reduces the ability of businesses to innovate, to adjust to new technology, and to provide job opportunities to low-skilled workers. The productive capacity and efficiency of businesses is reduced from what it otherwise would be.

Welfare programs not only drain the wealth of wealthy and middle-class people, but also tend to reduce people's incentive to work, to be frugal, or to improve their skills and move to higher incomes. This is especially true when the benefits are provided as a "right," with no strings attached. This effect can be seen in the effects of welfare reform in the US in the mid-1990s. Unemployment dropped and poverty decreased after the welfare system was altered in 1993 and 1996. (See here. There is also no evidence, to my knowledge, of an increase in extreme poverty, when extreme poverty is properly measured. See here and here.)

Welfare programs encourage poor people to see money as something to just be grabbed through politics, rather than earned through work. It encourages a mentality of entitlement to others' money in place of a strong work ethic. Thus it causes people to lose pride in their own ability to pay their own way and support themselves. That is a recipe for a resentment of productive work and for unhappiness. (2)

Conclusion

Bernie Sanders is not a *full* socialist, but the social democracy he subscribes to is *partial* socialism with welfare programs. It is not as unjust and destructive as pure socialism, but it is still quite unjust and destructive. When Bernie Sanders advocates for more welfare and government control, he is advocating for policies that will not raise the poor *up*, but only bring the rich *down*.

Just rewards for individuals' <u>wealth creation</u> can result in very large differences in income, even while the relatively poor in the society become richer themselves. When the government initiates force against people to regulate business and redistribute wealth, it is punishing the rational and successful for the sake of the unsuccessful. So the social democrat's obsession with using government force to reduce inequality leads to injustice and less economic growth. It reduces people's freedom of action—which means the opportunities they have to improve their lives according to their own judgment—and thus harms their lives and well-being.

For a fuller discussion of the issue of economic inequality and why it's not relevant to people's economic well-being, I recommend *Equal is Unfair: America's Misguided Fight Against Income Inequality*, by Yaron Brook and Don Watkins.

For a comprehensive case for the morality and practicality of capitalism, I recommend *The Capitalist Manifesto: The Historic, Economic and Philosophic Case for Laissez-Faire*, by Andrew Bernstein.

(1) What would actually reduce cronyism is for the government's regulatory role in the economy to be reduced. As you reduce the government's power to "pick winners and losers," you reduce the incentive for businessmen to lobby the government to be made into "winners." Regulators also have an incentive to get in bed with the companies they regulate, because, in addition to getting perks and kickbacks, they want stability in the industry they regulate. Stability makes their job easier, and helps them avoid

apparent problems and outcries from constituents that could get them in trouble. When new, innovative companies try to enter the market, it can be disruptive to the "established order." Regulators hate that. So they grant favors and tend to encourage monopolistic control.

Ever notice that the companies in the most regulated sectors of the economy are the ones people complain about the most? Finance, medicine and education are among the most regulated, and they are what people complain about the most. Electronics is among the least regulated, and it has made amazing advances without skyrocketing prices or deteriorating quality.

Microsoft never used to lobby in Washington. Then the anti-trust regulators came after them for giving away Internet Explorer for free. After that, they started lobbying.

(2) International polls on rates of self-reported "happiness" are not reliable indicators of people's actual well-being in different countries. Different cultures have different ideas and expectations about life that will affect people's responses. They will often tend to rate their well-being relative to a standard set by those around them, in the same country. When expectations for what is possible to individuals are lower in a country, the reported numbers for well-being will be inflated relative to a culture with higher expectations.